



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

September 5, 2017

Honorable Phil Bryant, Governor
Honorable Tate Reeves, Lieutenant Governor
Honorable Philip Gunn, Speaker of the House
Honorable Eugene Clarke, Chairman, Senate Appropriations Committee
Honorable John Read, Chairman, House Appropriations Committee
Honorable Gray Tollison, Chairman, Senate Education Committee
Honorable John Moore, Chairman, House Education Committee
Legislative Budget Office

Dear Gentlemen:

As required by Section 37-151-7(1)(g), Miss. Code Ann. (1972), the Office of the State Auditor (OSA) has reviewed the FY 2019 preliminary estimate calculation of the Mississippi Adequate Education Program (MAEP). Our primary objective for the annual review of the MAEP funding formula is to verify the accuracy and compliance of the State Board of Education's MAEP funding request. As you are aware, I have several concerns about the Mississippi Department of Education (MDE) data; however, it is important to note that, using MDE's numbers, OSA's and MDE's calculations of the MAEP final estimate **did not** match. OSA found an error that increased the administrative component of the Base Student Cost calculation by **\$1.79**, which increased the total MAEP funding calculation by **\$732,757**.

In previous reports and correspondence to the legislature, OSA has recommended some necessary and needed changes to make the MAEP formula more effective in calculating needed funds for the individual Mississippi K-12 public schools. Some of our recommended changes have been well received by MS lawmakers and effective changes to MS laws have been realized. I recognize that the Legislature worked with an independent third party to further the improvement of the MAEP funding formula. It is my hope the recommendations presented to the Legislature can lead to further improvements in the educational funding of our State's schools.

Recap of MAEP Preliminary Estimate Amounts

Just eleven years ago, SB 2604 (2006 Regular Session), the MAEP formula was dramatically changed. Under the amended law, Base Student Cost (BSC) is only completely recalculated every four years. In all intervening years, a percentage of the prior year per pupil BSC is multiplied by the applicable annual inflation rate (as determined by the State Economist) and then further adjusted according to law to provide a total MAEP amount. For the FY 2019 budget, a full recalculation of Base Student Cost was performed. The total preliminary estimate for FY 2019 MAEP as adjusted by OSA, the calculated BSC – **\$5,468.41** and utilizing the estimated Average Daily Attendance (ADA) of **446,492.95** submitted to an independent CPA is **\$2,467,076,115**. The MAEP Base Cost (before Add-on programs) – **\$1,941,358,841** and the MAEP estimated totals are calculated below:

CALCULATION OF MAEP BASE COST(Before Add-On Cost)	
Base Student Cost (BSC)	\$ 5,468.41
Estimated ADA X BSC:	\$ 2,441,606,515
At-Risk Student Portion	\$ 91,937,570
Deduction for Required Local Contributions	\$ (596,278,085)
Additional Funding (to meet statutory minimum funding guarantee of 2% above the 2001-2002 funding)	\$ 4,092,841
Total MAEP Cost (Before Add-On Cost)	\$ 1,941,358,841

MAEP FINAL ESTIMATED TOTAL	
MAEP Base Cost, before Add-on Programs	\$ 1,941,358,841
Add-On Program Costs consisting of:	
Special Education	\$ 302,267,841
Vocational Education	\$ 55,524,233
Gifted Education	\$ 45,247,403
Transportation	\$ 72,541,377
Alternative School	\$ 34,314,706
Other Programs	\$ 15,821,714
Total Final MAEP Cost	\$ 2,467,076,115

Conclusion Regarding the MAEP FY 2019 Preliminary Estimate

From the limited data that has been available over the years, my staff has determined that there are large variances in the cost of educating children from one district to another. ***In order for the MAEP formula to show an accurate picture of the needs of all Mississippi public school students, notwithstanding the additional need for accurate and reliable data, it will require legislative action. I recommend the Legislature mandate a needs assessment by a non-MDE entity, for each school district, to truly understand each district's requirements to provide classroom resources that offer children an exemplary education.*** Before any legislative action is taken regarding adjustments made to the MAEP formula directly, I believe it is imperative to complete such rigorous 3rd party analysis to: a) collect valid and reliable data about the actual cost of educating students by grade and subject within school districts; and b) achieve the desired results of efficiency, effectiveness, and equitable distribution of State taxpayers' money. ***Also, I recommend the Legislature should consider returning to the practice of line-iteming certain key expenditures – like textbook/resource materials. Such designations not only provide accountability and transparency to taxpayers, they also ensure that scarce dollars are being best used to educate children.***

Methodology

In conducting this review, OSA relied on the following: 1) our understanding of the agency and significant departments' operations; 2) our experience gained in previous audits of various segments of the Mississippi Department of Education; 3) analytical reviews of detailed financial data; and 4) thorough review of current and historical laws related to MAEP and their application in K-12 public education in Mississippi.

If any additional information is needed, please do not hesitate to contact me. This office stands ready to provide any analysis or research efforts that would be beneficial in helping educational leadership create a better, more effective education system for Mississippi.

Serving Mississippi Together,



Stacey E. Pickering
State Auditor

SEP/kb

cc: Dr. Carey Wright, Superintendent of Education
Members of the Mississippi Board of Education
Dr. Felicia Gavin, Chief Operating Officer, Mississippi Department of Education